

EXHIBIT III

SPECIAL INTERESTS – BEER AND WINE WHOLESALEERS-DISTRIBUTORS

AND LIQUOR LICENSEES

Enclosed:

- Letter from Ken Winkler, Chief Financial Officer, Idaho State Liquor Dispensary (ISLD)
– Alcohol sales statistics:
 1. FY02 Beverage Alcohol Market in Idaho, total and by type of beverage.
 2. Amount of FY02 alcohol taxes collected on sales of each type of beverage.
 3. Allocation of Idaho State Liquor Dispensary profits to state entities and city and county governments.
 4. Schedule of ISLD FY02 profits by county and city.
- Final Report – Legislative Interim Committee on Alcohol Beverage Code – 1999.
 1. Special Interest Groups sanctioned in Code – Liquor Licensees (pages 5 and 9).
 2. Special Interest Groups sanctioned in Code– Beer and Wine Wholesalers/Distributors (pages 5 and 9-12).
 3. Privatization of ISLD – economic consequences (pages 7-8 and 13-14).
- Survey letter to identify the cost of alcohol abuse in Idaho.



DYKE NALLY
SUPERINTENDENT

STATE OF IDAHO
LIQUOR DISPENSARY

DIRK KEMPTHORNE
GOVERNOR

September 3, 2002

Senator Hal Bunderson
582 River Heights Dr.
Meridian, ID 83642

Dear Senator Bunderson:

Enclosed is the information you requested regarding beverage alcohol market shares and tax revenues relating to distilled spirits, beer and wine.

Beer market estimates were based on an average 24-bottle case price of \$18. Of course, beer is sold by the six-pack and half case where the equivalent case price would be slightly higher. On the other hand, beer is also sold by the keg at a lower equivalent case price. All in all, the \$18/case (\$8.00/gallon) should be reasonably close.

Wine market estimates were based on the ISLD's weighted average price per gallon for our top 10 selling brands in our stores located in those counties where wine cannot be sold in the private sector.

If you have questions, please feel free to call. Thank you for your continued support and guidance.

Very Truly Yours,

A handwritten signature in black ink, appearing to read "Ken".

Ken Winkler, CPA
CFO

KW: mm
Enc:

STATE OF IDAHO

FY 2002 BEVERAGE ALCOHOL MARKET (Millions)

		<u>Estimated Market Share</u>
Distilled Spirits (Actual)	\$ 73.6	18.9%
Beer (Estimated)	213.0 ¹	54.8%
Wine (Estimated)	<u>102.0²</u>	26.3%
	\$388.6	

FY 2002 BEVERAGE ALCOHOL TAX COLLECTED (Millions)

		<u>% of Total</u>
Distilled Spirits (Profit Distributions)	\$21.1	77.0%
Beer Tax (\$4.65/Barrel or \$.15/Gallon)	4.0	14.6%
Wine Tax (\$.45/Gallon)	<u>2.3</u>	8.4%
	\$27.4	

FY 2002 DISTILLED SPIRITS PROFIT DISTRIBUTIONS (Millions)

Cities	\$ 7.683
Counties	5.122
General Fund	4.945
Welfare Fund	.650
Alcohol Treatment Fund	1.200
Public Schools Fund	1.200
Community Colleges Fund	<u>.300</u>
	\$21.100

Assumptions:

¹ Beer sales market estimated based on average case price of \$18.00, 2.25 gallons per case, tax rate of \$.15/gallon and FY 2002 tax collections of \$4.0 million.

² Wine Sales market estimated based on average gallon price of \$20.00, tax rate of \$.45/gallon and FY 2002 tax collections of \$2.3 million.

STATE OF IDAHO

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Schedule Of Comparative Sales And Distribution Of Profits By City/County

	SALES		DISTRIBUTIONS	
	Fiscal Year Ending June 30, 2002	Fiscal Year Ending June 30, 2001	Fiscal Year Ending June 30, 2002	Fiscal Year Ending June 30, 2001
ADA COUNTY			\$ 1,321,825.00	\$ 1,175,792.00
Boise	\$ 15,181,702.81	\$ 14,438,229.00	1,426,231.00	1,305,258.00
Eagle	1,561,738.45	1,279,982.65	123,942.00	79,073.00
Garden City	1,176,605.55	1,166,084.10	113,438.00	114,892.00
Kuna	372,753.05	311,812.30	30,475.00	26,464.00
Meridian	1,704,359.55	1,605,612.60	156,293.00	133,251.00
Star	213,683.60	200,661.75	19,363.00	15,189.00
Total	20,210,843.01	19,002,382.40	3,191,567.00	2,849,919.00
ADAMS COUNTY			18,239.00	17,444.00
Council	113,783.90	108,127.05	10,781.00	10,593.00
New Meadows	151,573.80	141,014.65	13,802.00	11,539.00
Total	265,357.70	249,141.70	42,822.00	39,576.00
BANNOCK COUNTY			261,117.00	242,353.00
Arimo	-	-	4,572.00	4,346.00
Chubbuck	758,472.70	678,162.70	66,948.00	61,427.00
Downey	36,488.35	28,308.25	3,354.00	3,354.00
Inkom	-	-	12,138.00	11,427.00
Lava Hot Springs	163,282.65	120,079.10	11,729.00	10,409.00
McCammon	-	-	12,363.00	11,672.00
Pocatello	2,952,565.40	2,837,459.75	284,604.00	267,150.00
Total	3,910,809.10	3,664,009.80	656,825.00	612,138.00
BEAR LAKE COUNTY			26,631.00	26,631.00
Bloomington	-	-	3,139.00	3,164.00
Fish Haven	44,228.60	38,949.65	-	-
Georgetown	-	-	9,240.00	9,091.00
Montpelier	232,328.35	242,007.90	24,200.00	22,838.00
Paris	-	-	10,449.00	9,370.00
St. Charles	-	-	3,059.00	2,949.00
Total	276,556.95	280,957.55	76,718.00	74,043.00
BENEWAH COUNTY			51,127.00	48,587.00
Chatcolet	-	-	203.00	1,168.00
Fernwood	68,975.55	66,866.95	-	-
Plummer	233,595.90	219,520.35	21,383.00	18,998.00
St. Maries	438,890.60	435,737.40	43,000.00	42,320.00
Tensed	-	-	1,563.00	1,507.00
Total	741,462.05	722,124.70	117,276.00	112,580.00
BINGHAM COUNTY			98,726.00	98,726.00
Aberdeen	-	-	25,604.00	24,337.00
Atomic City	-	-	419.00	399.00
Basalt	-	-	7,148.00	6,943.00
Blackfoot	690,695.55	656,602.80	84,239.00	84,239.00
Firth	-	-	7,213.00	6,959.00
Shelley	108,716.20	100,798.05	30,596.00	30,596.00
Total	799,411.75	757,400.85	253,945.00	252,199.00

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	<u>SALES</u>		<u>DISTRIBUTIONS</u>	
	Fiscal Year Ending <u>June 30, 2002</u>	Fiscal Year Ending <u>June 30, 2001</u>	Fiscal Year Ending <u>June 30, 2002</u>	Fiscal Year Ending <u>June 30, 2001</u>
BLAINE COUNTY				
Bellevue	\$ 404,044.10	\$ 377,023.05	\$ 229,255.00	\$ 215,001.00
Carey	29,980.53	24,499.20	36,639.00	34,701.00
Hailey	898,003.25	793,928.10	2,364.00	1,569.00
Ketchum	2,110,536.60	2,064,450.00	77,131.00	69,610.00
Sun Valley	85,860.70	86,216.45	199,918.00	192,475.00
Total	<u>3,528,425.18</u>	<u>3,346,116.80</u>	<u>553,740.00</u>	<u>521,351.00</u>
BOISE COUNTY				
Crouch	152,457.60	139,332.15	22,591.00	21,265.00
Horseshoe Bend	79,815.85	81,380.45	13,478.00	12,430.00
Idaho City	91,766.00	78,137.30	8,148.00	7,172.00
Lowman	15,253.20	16,621.95	7,624.00	7,526.00
Placerville	-	-	-	-
Total	<u>339,292.65</u>	<u>315,471.85</u>	<u>274.00</u>	<u>261.00</u>
BONNER COUNTY				
Clark Fork	144,964.85	152,159.25	238,767.00	221,777.00
Coolin	135,946.85	128,398.80	14,894.00	15,694.00
Dover	-	-	-	-
East Hope	-	-	6,518.00	5,897.00
Hope	-	-	4,573.00	4,439.00
Kootenai	-	-	2,029.00	1,921.00
Oldtown	526,308.20	208,741.70	7,018.00	5,928.00
Ponderay	555,182.95	491,793.70	46,278.00	41,481.00
Priest River	513,465.30	760,888.52	47,624.00	43,031.00
Sandpoint	1,565,668.00	1,498,486.05	48,159.00	46,717.00
Schweitzer	60,325.75	34,346.05	146,197.00	133,145.00
Tamrak	181,948.05	174,180.65	-	-
Total	<u>3,683,809.95</u>	<u>3,448,994.72</u>	<u>562,057.00</u>	<u>520,030.00</u>
BONNEVILLE COUNTY				
Ammon	-	-	271,829.00	255,238.00
Idaho Falls	3,801,473.20	3,690,786.15	103,851.00	96,333.00
Iona	-	-	366,337.00	346,761.00
Irwin	72,432.60	71,020.00	17,450.00	15,605.00
Ririe	69,107.50	58,366.35	6,878.00	5,059.00
Swan Valley	-	-	5,974.00	5,974.00
Ucon	-	-	2,721.00	2,458.00
Total	<u>3,943,013.30</u>	<u>3,820,172.50</u>	<u>15,855.00</u>	<u>13,285.00</u>
BOUNDARY COUNTY				
Bonniers Ferry	528,233.30	495,954.20	36,477.00	35,372.00
Moyie Springs	-	-	48,722.00	47,225.00
Porthill	9,150.40	12,648.30	9,591.00	8,797.00
Total	<u>537,383.70</u>	<u>508,602.50</u>	<u>-</u>	<u>-</u>

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BUTTE COUNTY				
Arco	\$ 160,130.55	\$ 147,302.45	\$ 17,386.00	\$ 17,386.00
Butte City	-	-	14,659.00	13,647.00
Howe	14,799.40	13,773.70	1,015.00	968.00
Moore	-	-	-	-
Total	<u>174,929.95</u>	<u>161,076.15</u>	<u>36,199.00</u>	<u>35,027.00</u>
CAMAS COUNTY				
Fairfield	<u>66,467.05</u>	<u>70,829.70</u>	11,195.00	11,195.00
Total	<u>66,467.05</u>	<u>70,829.70</u>	<u>6,972.00</u>	<u>6,011.00</u>
CANYON COUNTY				
Caldwell	1,223,736.65	1,169,311.32	275,033.00	247,676.00
Greenleaf	-	-	117,351.00	109,757.00
Melba	27,799.75	30,030.85	13,359.00	12,254.00
Middleton	323,844.10	302,790.90	2,963.00	3,012.00
Nampa	2,411,998.25	2,202,234.35	29,681.00	26,861.00
Notus	-	-	220,148.00	194,875.00
Parma	137,174.50	123,548.15	6,761.00	6,680.00
Wilder	-	-	12,407.00	11,797.00
Total	<u>4,124,553.25</u>	<u>3,827,915.57</u>	<u>21,684.00</u>	<u>20,181.00</u>
CARIBOU COUNTY				
Bancroft	-	-	30,366.00	30,366.00
Grace	51,686.15	46,485.65	6,538.00	6,422.00
Soda Springs	<u>308,454.05</u>	<u>362,931.75</u>	8,004.00	8,004.00
Total	<u>360,140.20</u>	<u>409,417.40</u>	<u>36,112.00</u>	<u>31,167.00</u>
CASSIA COUNTY				
Albion	-	-	57,455.00	57,455.00
Declo	-	-	5,489.00	5,206.00
Malta	-	-	5,168.00	4,624.00
Oakley	-	-	3,012.00	2,843.00
Burley	<u>689,907.75</u>	<u>642,462.95</u>	11,660.00	10,603.00
Total	<u>689,907.75</u>	<u>642,462.95</u>	<u>66,376.00</u>	<u>66,376.00</u>
CLARK COUNTY				
Dubois	32,303.50	33,666.25	11,475.00	11,475.00
Spencer	-	-	3,644.00	3,644.00
Total	<u>32,303.50</u>	<u>33,666.25</u>	<u>370.00</u>	<u>369.00</u>
CLEARWATER COUNTY				
Elk River	8,379.25	8,638.40	34,259.00	35,100.00
Orofino	383,762.20	371,051.70	2,327.00	2,327.00
Pierce	48,252.60	46,275.05	36,758.00	36,326.00
Weippe	<u>39,052.20</u>	<u>41,270.75</u>	8,208.00	8,208.00
Total	<u>479,446.25</u>	<u>467,235.90</u>	<u>5,773.00</u>	<u>5,773.00</u>

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CUSTER COUNTY				
Challis	\$ 144,435.80	\$ 139,858.25	\$ 29,330.00	\$ 27,892.00
Clayton	50,946.95	41,947.05	13,810.00	15,213.00
Mackay	76,473.30	78,042.35	4,058.00	3,789.00
Stanley	162,563.70	152,971.25	7,739.00	7,955.00
Total	<u>434,419.75</u>	<u>412,818.90</u>	<u>14,781.00</u>	<u>11,413.00</u>
ELMORE COUNTY				
Glenns Ferry	125,348.15	129,157.95	68,821.00	66,952.00
Military	110,364.33	191,931.80	13,317.00	13,317.00
Mountain Home	709,100.90	622,660.75	-	-
Pine	55,927.80	45,112.40	67,481.00	67,481.00
Prairie	19,054.00	16,343.85	-	-
Total	<u>1,019,795.18</u>	<u>1,005,206.75</u>	<u>149,619.00</u>	<u>147,750.00</u>
FRANKLIN COUNTY				
Clifton	-	-	30,746.00	30,746.00
Dayton	-	-	4,490.00	4,131.00
Franklin	-	-	7,242.00	6,802.00
Oxford	-	-	9,288.00	8,539.00
Preston	245,313.50	216,919.25	902.00	814.00
Weston	-	-	26,453.00	26,453.00
Total	<u>245,313.50</u>	<u>216,919.25</u>	<u>7,066.00</u>	<u>6,526.00</u>
FREMONT COUNTY				
Ashton	90,434.45	81,404.30	37,565.00	36,377.00
Drummond	-	-	11,000.00	11,000.00
Island Park	238,988.80	206,154.10	676.00	645.00
Newdale	-	-	19,946.00	17,068.00
Parker	-	-	6,873.00	6,526.00
St. Anthony	232,493.50	225,074.35	5,200.00	5,038.00
Teton	-	-	23,784.00	23,784.00
Warm River	-	-	10,722.00	10,137.00
Total	<u>561,916.75</u>	<u>512,632.75</u>	<u>177.00</u>	<u>169.00</u>
GEM COUNTY				
Emmett	431,705.00	411,365.10	36,777.00	36,777.00
Total	<u>431,705.00</u>	<u>411,365.10</u>	<u>41,353.00</u>	<u>40,282.00</u>
GOODING COUNTY				
Bliss	71,644.70	96,688.40	78,130.00	77,059.00
Gooding	217,422.10	223,535.05	43,344.00	42,601.00
Hagerman	101,712.05	77,903.60	9,377.00	8,892.00
Wendell	189,685.65	199,367.30	24,290.00	24,290.00
Total	<u>580,464.50</u>	<u>597,494.35</u>	<u>7,740.00</u>	<u>7,595.00</u>

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IDAHO COUNTY			\$ 55,662.00	\$ 54,200.00
Cottonwood	\$ 98,539.30	\$ 101,606.65	10,084.00	10,149.00
Elk City	53,961.00	51,337.95	-	-
Ferdinand	-	-	2,255.00	2,197.00
Grangeville	272,903.45	257,811.25	28,363.00	28,363.00
Kooskia	107,459.15	114,431.15	11,328.00	11,248.00
Riggins	192,428.15	178,104.05	17,410.00	16,168.00
Stites	-	-	3,591.00	3,487.00
Whitebird	60,978.90	68,789.90	6,707.00	6,889.00
Total	786,269.95	772,080.95	135,400.00	132,701.00
JEFFERSON COUNTY			46,058.00	46,058.00
Hamer	-	-	1,627.00	1,491.00
Lewisville	-	-	8,920.00	8,449.00
Menan	-	-	12,849.00	11,155.00
Mud Lake	29,847.70	20,696.50	2,777.00	3,490.00
Rigby	321,017.80	294,176.25	29,581.00	29,017.00
Roberts	-	-	11,750.00	9,385.00
Ririe (see Bonneville County)*	-	-	-	-
Total	350,865.50	314,872.75	113,562.00	109,045.00
JEROME COUNTY			39,003.00	36,049.00
Eden	-	-	5,731.00	5,544.00
Hazelton	73,997.85	64,615.45	6,364.00	6,239.00
Jerome	531,523.30	479,842.00	47,646.00	43,693.00
Total	605,521.15	544,457.45	98,744.00	91,525.00
KOOTENAI COUNTY			630,771.00	600,426.00
Athol	-	-	7,920.00	7,510.00
Bayview	191,210.45	199,976.45	-	-
Coeur d' Alene	4,111,624.45	3,937,895.60	383,983.00	376,848.00
Dalton Gardens	-	-	38,835.00	37,434.00
Fernan Lake	-	-	3,686.00	3,440.00
Harrison	83,012.65	75,645.90	7,364.00	9,006.00
Hauser	-	-	8,691.00	7,770.00
Hayden	1,745,720.20	1,622,797.75	156,999.00	148,961.00
Hayden Lake	-	-	6,872.00	7,446.00
Huetter	-	-	1,722.00	1,612.00
Post Falls	2,721,168.75	2,475,540.35	239,864.00	221,547.00
Rathdrum	499,092.60	475,374.50	46,081.00	44,639.00
Spirit Lake	384,733.85	349,708.80	33,924.00	31,841.00
State Line	-	-	579.00	599.00
Worley	109,893.55	84,789.95	8,247.00	8,014.00
Total	9,851,456.50	9,221,729.30	1,575,538.00	1,507,093.00

*City limits extend into both counties

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	Fiscal Year Ending June 30, 2002	Fiscal Year Ending June 30, 2001	Fiscal Year Ending June 30, 2002	Fiscal Year Ending June 30, 2001
LATAH COUNTY			\$ 151,810.00	\$ 141,956.00
Bovill	\$ 21,169.10	\$ 14,874.95	2,279.00	2,279.00
Deary	60,832.55	60,576.15	5,963.00	5,267.00
Genesee	49,924.30	48,013.20	4,827.00	4,706.00
Juliaetta	-	-	8,017.00	7,649.00
Kendrick	75,909.20	79,242.40	7,757.00	7,482.00
Moscow	1,752,896.05	1,626,477.00	160,964.00	155,367.00
Onaway	-	-	3,734.00	3,102.00
Potlatch	133,644.35	122,268.60	12,022.00	10,781.00
Troy	209,134.60	199,406.15	19,446.00	14,728.00
Total	2,303,510.15	2,150,858.45	376,819.00	353,317.00
LEMHI COUNTY			44,536.00	42,253.00
Leadore	15,419.65	12,866.60	1,284.00	1,296.00
North Fork	42,345.50	31,194.30	-	-
Salmon	604,225.70	582,841.20	57,349.00	54,336.00
Total	661,990.85	626,902.10	103,169.00	97,885.00
LEWIS COUNTY			23,868.00	24,097.00
Craigmont	43,721.00	43,225.55	4,782.00	5,263.00
Kamiah	236,957.60	216,865.85	21,311.00	20,479.00
Nez Perce	42,740.80	36,248.05	3,976.00	3,976.00
Reubens	-	-	789.00	768.00
Winchester	29,452.35	32,525.55	3,220.00	3,268.00
Total	352,871.75	328,865.00	57,946.00	57,851.00
LINCOLN COUNTY			17,650.00	17,650.00
Dietrich	-	-	2,543.00	2,395.00
Richfield	-	-	6,955.00	6,559.00
Shoshone	174,371.15	129,452.55	12,888.00	11,655.00
Total	174,371.15	129,452.55	40,036.00	38,259.00
MADISON COUNTY			55,299.00	55,299.00
Rexburg	152,080.85	164,316.40	74,914.00	74,914.00
Sugar City	-	-	19,554.00	19,974.00
Total	152,080.85	164,316.40	149,767.00	150,187.00
MINIDOKA COUNTY			57,782.00	57,782.00
Acequia	-	-	1,884.00	1,767.00
Heyburn	-	-	47,045.00	45,437.00
Minidoka	-	-	1,350.00	1,350.00
Paul	71,636.70	66,043.60	7,832.00	7,832.00
Rupert	350,815.15	355,588.50	44,057.00	44,057.00
Burley (see Cassia County)*	-	-	-	-
Total	422,451.85	421,632.10	159,950.00	158,225.00

*City limits extend into both counties

Schedule Of Comparative Sales And Distribution Of Profits By City/County

	SALES		DISTRIBUTIONS	
	Fiscal Year Ending <u>June 30, 2002</u>	Fiscal Year Ending <u>June 30, 2001</u>	Fiscal Year Ending <u>June 30, 2002</u>	Fiscal Year Ending <u>June 30, 2001</u>
NEZ PERCE COUNTY			\$ 197,616.00	\$ 197,135.00
Culdesac	\$ -	\$ -	5,101.00	4,790.00
Lapwai	-	-	15,163.00	14,896.00
Lewiston	2,857,419.50	2,817,937.70	277,932.00	279,022.00
Peck	-	-	3,044.00	2,612.00
Total	<u>2,857,419.50</u>	<u>2,817,937.70</u>	<u>498,856.00</u>	<u>498,455.00</u>
ONEIDA COUNTY			17,390.00	17,390.00
Malad	161,616.65	157,195.20	15,747.00	16,240.00
Total	<u>161,616.65</u>	<u>157,195.20</u>	<u>33,137.00</u>	<u>33,630.00</u>
OWYHEE COUNTY			28,960.00	28,960.00
Bruneau	34,608.70	35,276.85	-	-
Grand View	63,527.70	60,717.45	5,995.00	5,281.00
Homedale	135,575.00	124,790.95	16,839.00	16,839.00
Marsing	164,002.45	161,498.00	15,911.00	15,838.00
Total	<u>397,713.85</u>	<u>382,283.25</u>	<u>67,705.00</u>	<u>66,918.00</u>
PAYETTE COUNTY			46,904.00	46,904.00
Fruitland	-	-	54,303.00	48,324.00
New Plymouth	111,581.10	98,145.10	9,870.00	9,715.00
Payette	552,568.65	517,721.40	51,479.00	51,051.00
Total	<u>664,149.75</u>	<u>615,866.50</u>	<u>162,556.00</u>	<u>155,994.00</u>
POWER COUNTY			24,622.00	24,622.00
American Falls	228,040.30	211,697.20	25,734.00	25,734.00
Rockland	-	-	5,005.00	4,530.00
Total	<u>228,040.30</u>	<u>211,697.20</u>	<u>55,361.00</u>	<u>54,886.00</u>
SHOSHONE COUNTY			69,189.00	69,304.00
Kellogg	401,954.35	390,539.15	38,583.00	36,253.00
Mullan	-	-	11,227.00	11,848.00
Osburn	-	-	24,786.00	24,201.00
Pinehurst	246,873.50	248,211.00	24,538.00	26,446.00
Smelterville	-	-	7,154.00	6,933.00
Wallace	306,152.35	318,958.95	31,257.00	31,770.00
Wardner	-	-	4,927.00	3,719.00
Total	<u>954,980.20</u>	<u>957,709.10</u>	<u>211,661.00</u>	<u>210,474.00</u>
TETON COUNTY			33,032.00	29,151.00
Driggs	520,592.05	469,131.60	45,584.00	40,075.00
Tetonia	-	-	2,480.00	2,351.00
Victor	-	-	9,671.00	8,719.00
Total	<u>520,592.05</u>	<u>469,131.60</u>	<u>90,767.00</u>	<u>80,296.00</u>

Schedule Of Comparative Sales And Distribution Of Profits By City/County

	SALES		DISTRIBUTIONS	
	Fiscal Year Ending <u>June 30, 2002</u>	Fiscal Year Ending <u>June 30, 2001</u>	Fiscal Year Ending <u>June 30, 2002</u>	Fiscal Year Ending <u>June 30, 2001</u>
TWIN FALLS COUNTY				
Buhl	\$ 270,873.55	\$ 276,709.55	\$ 207,356.00	\$ 191,808.00
Castleford	28,742.15	28,729.75	27,326.00	24,902.00
Filer	117,444.15	100,580.40	2,817.00	1,092.00
Hansen	-	-	9,954.00	9,339.00
Hollister	11,919.55	11,957.40	15,449.00	14,401.00
Kimberly	118,283.05	120,961.75	1,171.00	990.00
Murtaugh	-	-	12,045.00	11,297.00
Twin Falls	2,539,003.90	2,441,400.90	2,398.00	2,227.00
Total	<u>3,086,266.35</u>	<u>2,980,339.75</u>	<u>240,279.00</u>	<u>225,972.00</u>
VALLEY COUNTY				
Cascade	196,495.40	194,553.35	82,809.00	76,790.00
Donnelly	137,655.65	136,667.00	19,033.00	18,808.00
McCall	911,582.30	859,241.40	13,235.00	12,208.00
Yellow Pine	11,703.70	7,478.45	83,491.00	76,894.00
Total	<u>1,257,437.05</u>	<u>1,197,940.20</u>	<u>-</u>	<u>-</u>
WASHINGTON COUNTY				
Cambridge	69,847.75	70,974.20	31,542.00	31,542.00
Hells Canyon	-	-	7,012.00	6,762.00
Midvale	-	-	-	-
Weiser	326,328.60	293,667.50	3,104.00	3,104.00
Total	<u>396,176.35</u>	<u>364,641.70</u>	<u>32,142.00</u>	<u>32,142.00</u>
FISCAL YEAR TOTALS	<u>\$ 73,623,509.72</u>	<u>\$ 69,714,325.64</u>	<u>\$ 12,805,691.00</u>	<u>\$ 11,998,900.00</u>

FINAL REPORT OF THE
LEGISLATIVE COUNCIL INTERIM COMMITTEE ON
IDAHO'S
ALCOHOL BEVERAGE CODE
JANUARY 1999

Committee Members

Rep. Jim Clark
Cochairman

Sen. Jack Riggs
Cochairman

Sen. Hal Bunderson

Sen. Betsy Dunklin

Rep. Shirley McKague

Rep. Larry Watson

LEGISLATIVE STAFF

Susan Bennion
Research and Legislation

Toni Hobbs
Secretary

LEGISLATIVE COUNCIL INTERIM COMMITTEE ON IDAHO'S ALCOHOL BEVERAGE CODE

January, 1999

To the Idaho Legislature:

We, your committee on the study of Idaho's Alcohol Beverage Code, have concluded our work. The three objectives of our work outlined in SJR 130 and augmented by Legislative Council's directives are to simplify the regulatory framework, evaluate special interest groups sanctioned or created in Code and examine privatization issues. The following summarizes our work:

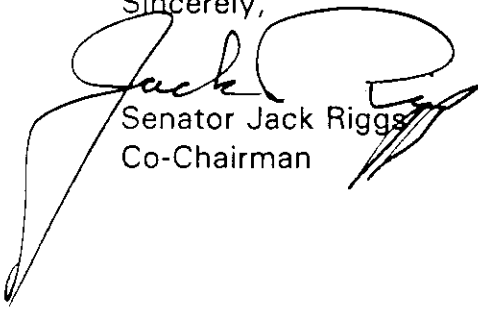
1. Simplify the regulatory process - We heard testimony relative to problems with the Code. We are recommending ten bills to resolve these issues. We did not perform a comprehensive reorganization of the Alcohol Beverage Code.
2. Special Interest Groups - Many special interest group issues are integrally related to taxation issues. We believe "special interests" should be an essential part of the work of the new interim committee on "alcohol beverage tax structures" (see below).
3. Privatization - We considered privatization of distilled spirits and concluded that Idaho should continue as a "control state." The committee is comfortable with the operation of the Idaho State Liquor Dispensary (ISLD). Albeit, we believe when new retail stores are needed or existing store service areas need modification, ISLD should add private contract stores whenever practical. We recommend that existing "retail" stores should be encouraged to complete the transition to contract stores. In addition, we recommend that ISLD stores carry a full range of alcohol beverages as customer service requires.
4. Unfinished business - There are two major issues that need further work. Both issues were the subjects of a report issued by Governor Batt in November, 1998. We recommend two interim committees be formed to address the following:

- Substance abuse education, prevention and treatment programs and costs.
-

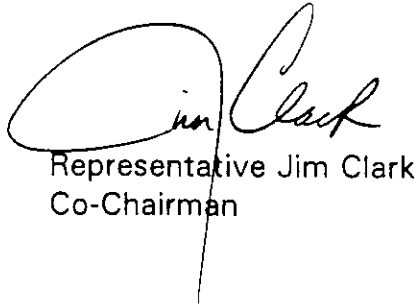
- Equitable and adequate alcohol beverage tax structures needed to pay the cost of substance abuse.

It is a pleasure to have served you and the people of Idaho on these important matters.

Sincerely,



Senator Jack Riggs
Co-Chairman



Representative Jim Clark
Co-Chairman

**JOINT INTERIM COMMITTEE ON
IDAHO'S ALCOHOL BEVERAGE CODE**

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SIMPLIFY THE REGULATORY FRAMEWORK

The committee received extensive testimony concerning the legal framework established through the operation of Title 23, Idaho Code. Many of these issues are addressed in the legislation recommended by the committee. The legislation submitted with this report is intended to accomplish a simplification of the regulatory framework by providing greater consistency among definitions, penalty provisions, regulatory provisions and licensing provisions.

RS 08501: Through testimony presented to the committee, several areas were identified where one type of alcohol was dealt with in a manner inconsistent with the way other kinds were treated. The interim committee concluded that alcohol, whether distilled spirits, beer or wine, is an alcohol beverage. Following this logic, it seemed to committee members that adopting definitions which were complete and, more important, accurate, would lead to greater clarity in the law. Because the code had evolved through the years, definitions have evolved in such a way as to provide regulation based upon alcohol content. Consequently, beer is sometimes defined as wine, and distilled spirits may be sold as wine, to cite just two examples. The interim committee reached the conclusion that a better approach to definitions would be to define alcohol beverages depending upon the content and the method of making the beverage as generally understood by the public at large. This conclusion is in bill format in RS 08501. It was the intent of the interim committee that no substantive changes be incorporated into this bill. However, just accomplishing increased clarity and accuracy, as it is intended in this bill, would further future efforts to maintain consistency in the liquor code.

RS 08469 Presenters to the committee addressed the availability of the fortified or dessert wine in Idaho. Sherry and port, in particular, are becoming increasingly popular among wine drinkers. They are rarely beverages of abuse, although the alcohol content is greater than that of a regular table wine. Because of the higher alcohol content, these beverages are currently sold only through the state liquor dispensary. This draft would authorize the sale of dessert wine up to 24% alcohol content, in the same manner as wine is currently sold, upon the purchase of a dessert wine endorsement. ISLD or private distributors could wholesale dessert wines. Muscatel, although it reaches the definition based solely on alcohol content, is not perceived as a dessert wine and is excluded from this provision.

RS 08316C1 Legislation was introduced in the 1998 session which authorized a beer or wine catering permit for persons who hold beer or wine licenses, but do not hold a liquor-by-the-drink license. This concept was reintroduced to the interim committee and seemed to meet the requirements of achieving consistency among licensees. If a licensee holding one kind of liquor permit can be authorized to

provide catering services, it seemed consistent that other licensees should also be authorized to cater the beverage for which they are licensed.

RS 08500 Several concepts were introduced to the interim committee by the Superintendent of the State Liquor Dispensary. The Superintendent of the State Liquor Dispensary is responsible for a substantial work force and state assets. He is currently an appointee of the Governor, but unlike other officers of the executive branch, his appointment does not require Senate confirmation. To achieve consistency with similar officers with similar degrees of responsibility, this draft makes the Superintendent subject to Senate confirmation. The second issue in this draft was the variation among beverage types when it came to the legal days of sale. Justifications for the original provisions on this subject seemed to have changed over time, and more recent regulatory provisions are less restrictive than the older provisions. Terms of this bill would provide that distilled spirits can be sold on election days, just as beer and wine can be sold at present. It would also allow sales of all beverages on Sunday, Memorial Day or Thanksgiving in state liquor dispensaries if county commissioners have authorized the sale of other beverages on those holidays. Finally, this draft addresses the personnel of the state liquor dispensary who are currently absolutely prohibited from any participation in political activity. The superintendent suggested that this provision is overly harsh and perhaps unconstitutional. It seems more consistent that dispensary employees are governed by the same provisions as other state employees.

RS 08472 Provisions of current law are very restrictive in the use of modern credit methods. In practice, the state liquor dispensary already allows the use of credit cards at its stores. The most recent evaluation by the Division of Legislative Audits recommended that either the stores must discontinue this practice or law should be brought into conformity with practice. At the same time, retailers are prohibited from purchasing from wholesalers using credit. Industry representatives felt this was done with good reason, but the modern method of electronic funds transfer or debit card is essentially equivalent to a payment by cash. This draft, therefore, addresses, in slightly different ways, these two sales events without addressing the continuing need for the cash payment requirement. In the first section, credit cards, funds transfers and debit cards are all authorized for use in purchases from the dispensary. In the second and third sections, only electronic transfers and debit cards are allowed for use in purchases by beer or wine retailers from wholesalers.

RS 08499 Several related law enforcement issues were presented to the interim committee. Liquor law enforcement presented compelling arguments justifying the need to conduct a more comprehensive criminal history check for applicants for liquor licenses. The federal authorities which conduct the most complete criminal history check require that a fingerprint card be provided. This bill draft adopts a requirement for a check, based upon a fingerprint card, but does provide that if

more than one license is applied for by a single applicant, a single check is sufficient. Also, it has been alleged that games which accumulate credits can result in pay outs of cash or prizes. While this is currently illegal, it is very difficult to prove. As an alternative, law enforcement recommended, and the committee agreed, that the definition of a gaming device for purposes of liquor law enforcement be expanded to prohibit such devices which allow tracking of credits. Video games which do not accumulate credits will still be permitted.

RS 08326C1 All brewers, wineries, distributors and importers are currently required to report their sales monthly. The report must be notarized. Liquor law enforcement personnel report that they do not use these reports, although they are transmitted to industry representatives as a public document. It was agreed that the records should not require notarization and that quarterly reports would be sufficient for all current uses. All original records continue to be subject to inspection by law enforcement or tax commission agents.

RS 08470 The problems of inconsistencies among provisions governing various beverages is nowhere more apparent than in the penal provisions particularly concerning illegal sales and penalties. The provisions governing sales to minors and persons who appear to be intoxicated are repeated in chapters governing each of the beverages, distilled spirits, beer and wine. The officials of liquor law enforcement suggested that they are sometimes faced with imposition of penalties in case of one violation which seem inconsistent with the penalties for similar violations in other beverages. In addition, the penalty of a fine against the licensee may be ineffective, but the department is not able to take more effective action. This draft gives the agency authority to suspend licenses, issue fines, or both depending upon the circumstances of the violation.

RS 08328 At the request of industry representatives, this draft would eliminate the fee paid for permits to provide beer or wine for charitable events. It was argued that, when the product is provided for charitable purposes, the supplier should not be required to pay for the privilege of giving. Although the fee is set relatively low, enough requests for contributions can accumulate to a significant charge.

SPECIAL INTEREST GROUPS SANCTIONED IN CODE

Limited time, along with the complexity of the tax and fee aspects of special interest groups, caused the committee to not conclude work on these matters. Two groups, liquor licensees and private wholesale beer and wine distributors, were referenced during Committee meetings. Certain background and facts relative to these groups follows:

Liquor Licensees

- There are a total of 953 liquor licenses granted in Idaho.
- Each city receives a minimum of two liquor licenses plus one license for each 1,500 of population. There are 754 city licenses.
- There are 199 "specialty licenses" allowed by law, including nineteen specialty licenses granted specifically in law by the legislature.
- Only specialty licenses may be granted in unincorporated county areas.
- Idaho Code specifies that owning a liquor license is a privilege, not a property right. However, liquor licenses are treated as a property right with "ownership" transferred at the "owners" will. These licenses may be used as collateral for loans and included in wills and estates. Arguments relative to these "property rights" have stopped corrective legislative action in the past.
- When licenses are included in a sales transaction, 10% of the allocated sales price (not audited by the state) must be paid into the state general fund. The highest price paid for a license is \$435,000, but the average is considerably less than \$100,000, depending on location.
- The state has no performance standards or evaluation criteria that must be met annually by the licensee in order to renew their license.
- There is a long waiting list on file at the State Alcohol Beverage Control Bureau applying to receive liquor licenses. Licenses are issued on a first-come-first-served basis. Some of these people have no interest in getting a license, except to sell it.
- ISLD grants licensees a 5% discount for the effect of sales tax included in the price and another 5% initiated decades ago, ostensibly to compensate for the requirement that purchases be made in case lots. The case lot requirement is no longer in effect.

Beer and Wine Wholesale-Distributors

- Retailers can only purchase beer and wine from licensed wholesale-distributors (wholesaler). Many wholesalers in a geographic area are brand exclusive.
- Retailers must pay cash to the wholesalers for their purchases.
- There are 82 beer and wine wholesalers in Idaho, most of whom are small micro brewers or wineries. Fifteen of these wholesalers, who generally have a regional-exclusive contract with one or more of the major producers, control over 80% of the wholesale market.
- Beer and wine excise taxes are based on the volume of alcohol product wholesalers sell to retailers (45 cents tax per gallon for wine and \$4.65 per 31 gal. barrel of beer (15 cents per gallon). The

- wholesalers pay the tax directly to the Tax Commission.
- Because beer and wine tax is based on volume sold, it does not increase with the price of the product. A 1 ½ oz. shot of whiskey, a 5 oz. glass of wine and a 12 oz. can of beer have, on average, the same amount of alcohol. The Legislative Budget and Policy Analysis Office (LBO) reports that the excise tax on a can of beer has remained at 1.4 cents per 12 oz. can for 37 years. The excise tax on a 5 oz. glass of wine has remained at 2 cents per glass for 27 years. ISLD reports that its net revenue to state and local governments on a 1 ½ oz. shot of whiskey has increased 520% over the past 37 years. LBO calculated that the effective beer tax rate as a percent of price was 11.2% in 1961 and has eroded to 2.1% in 1997. The wine tax rate as a percent of price was 9% in 1961 and has eroded to 2.3% in 1997. The combined effect of this erosion now aggregates \$21 million annually.

Committee Recommendations

1. A new interim committee should be formed to evaluate Idaho's alcohol beverage tax structure and needs. Since the concerns raised about the foregoing special interest groups are largely tax and fee related, the scope of work of this new committee should include evaluation of the foregoing special interest groups. To the extent practicable, the taxing structure recommended by the new committee should produce the revenue needed to pay for the costs associated with alcohol abuse.
2. The Committee agreed that there should be equity of treatment between incorporated and unincorporated county areas. Further, the legislature should get out of the business of individually approving special liquor licenses. **RS08419** gives county commissioners authority to issue a limited number of liquor-by-the-drink licenses in the unincorporated portions of the county. No license *must* be issued as a result of this legislation, but additional licenses are authorized. The interim committee emphasized the local option nature of this authorization. Essentially, the unincorporated area license is an additional licensing provision patterned on the existing special licensing provisions. Such a license would not be transferrable and would otherwise follow current licensing provisions. The RS provides that the number of licenses allowed is limited to 4 per county, with additional licenses granted for each 3,000 population. The county commissioners would be responsible for approving licenses. Current specialty licenses would not be impacted by the foregoing. The committee has asked the Attorney General for an opinion regarding the legal standing of this proposed law.

EVALUATE PRIVATIZATION

Following the repeal of the "Alcohol Prohibition" Amendment to the US Constitution in 1933, Idaho elected, along with 17 other states and Montgomery County Maryland, to become a "control state" and amended the Idaho Constitution accordingly. The remaining states elected to become "license states." None of the 19 control states, which on average experience lower per capita consumption and higher revenues for public purposes, have changed their decision. However, there are differences in how they administer "control."

Idaho's Constitution, Article III, Sections 24 and 26 requires the legislature to promote temperance, morality and have power and authority over intoxicating liquors.

The delivery of alcohol beverages to the consumer in Idaho operates in what is termed the "three tiered system:" producer, wholesale-distributor (wholesaler) and retailer. While there is an unknown number of producers and retailers, there are relatively few wholesalers in Idaho, because, other than for ISLD, major producers choose their wholesaler(s).

ISLD is both a wholesaler and a retailer of higher alcohol-content beverages. It is a public monopoly wherein 100 percent of its profit is returned to the public. In FY1998, \$16.6 million, or approximately 73% of the total alcohol based revenue collected in the state, was collected by ISLD. It sells distilled spirit products defined generally in law as alcohol products fortified by distilled spirits and having over 14% alcohol content. It sell 1.1 million gallons of alcohol beverage annually plus certain mixers and accessories. These products are sold in packaged containers through 49 state-operated retail stores and 92 private "contract" stores and 8 private "retail" stores. It also sells product to 953 private, retail businesses licensed by the state to sell liquor-by-the-drink.

There are 82 private wholesale distributors for beer and wine ,of which 15 control over 80% of the wholesale market. Approximately 23 million gallons of beer and 4.5 million gallons of wine are sold annually through these wholesale-distributors.

Current law allows ISLD to also be a wholesale wine distributor, but the dispensary has not done so since 1994. In that year, then Governor Andrus and Superintendent Summers took ISLD out of that market in an executive decision made without legislative involvement.

The total retail sales of all alcohol beverages in Idaho are estimated between \$300 to \$400 million annually. This constitutes 29 million gallons of alcohol beverages of which 4% is distilled spirits sold through ISLD, 80% is beer and 16% is wine.

Substantially, all alcohol beverages are imported into Idaho. The limited amounts of alcohol beverages produced in Idaho are by small businesses and consist of one distiller, several micro brewers and a few wineries.

COMMITTEE RECOMMENDATION

The committee is comfortable with the operation of the Idaho State Liquor Dispensary (ISLD). Albeit, we believe when new retail stores are needed or existing store service areas need modification, ISLD should add private contract stores whenever practical. We encourage the Superintendent to pursue the transition of existing "retail" stores to contract stores as expeditiously as possible. In addition, we recommend that ISLD stores carry the full range of alcohol beverages as customer service demand requires.

COMMITTEE RECOMMENDATIONS ON UNFINISHED BUSINESS

We heard considerable testimony on two major issues that need further work. The first issue, evaluating substance abuse education, prevention and treatment programs and costs was the subject of a report issued by Governor Batt in November, 1998. The other issue, equitable and adequate alcohol beverage tax structures needed to pay the costs of substance abuse was also referenced in Governor Batt's report.

While interrelated, we believe these two issues are of such significance that we are recommending two separate interim committees be formed to address each issue as follows:

- Substance abuse education, prevention and treatment programs and costs.
- Equitable and adequate alcohol beverage tax structures needed to pay the costs of abuse. The work of this committee would be contingent upon the foregoing committee advising it of the cost of implementation and operation of Idaho's state and local alcohol abuse education, prevention and treatment programs.

Individual Comments by Committee Members:

Senator Bunderson:

LIQUOR LICENSES:

PROBLEM

Ambiguities in Idaho law and its consequences have resulted in the private trafficking of liquor licenses and has resulted in licensees converting public property (liquor license - a franchise to sell distilled spirits by the drink in a specified area) into a private property right.

This poor public policy problem is complicated because now, modifications in state law to fix the "property right" problem could be deemed a "taking" requiring the state to compensate the licensee for any loss in license fair market value.

SOLUTION

The Attorney General's office has informally advised that trafficking could be stopped without impacting the "property right" question by merely prohibiting a licensee from transferring and/or selling the liquor license issued to them.

However, that change of law would not allow the public to benefit in the value of their franchise. The following legislation should stop the trafficking in such licenses and fairly compensate the public for the appreciation in liquor license value:

- 1. Increase the percent of sales price of a liquor license that goes to the public from 10% to 90%. The remaining 10% would be an allowance for transaction costs. If previously purchased, fifteen year IRS amortization rulings would apply as well as the resulting allocation of sales proceeds.*
- 2. Eliminate the 5% price discount that ISLD is required to give. The discount is no longer warranted as licensees are not longer required to buy in unbroken case lots and it is in conflict with ISLD uniform pricing law.*
- 3. Establish a 5% surcharge (franchise fee) applied to ISLD sales to licensees over \$25,000.*
- 4. Establish minimum operating standards for keeping a liquor license. Since there are a restricted number of liquor licensees, minimum standards would have to be met or the license surrendered for issuance to a qualified retailer.*

BEER AND WINE WHOLESALE - DISTRIBUTORS:

PROBLEM

Current law is poor public policy. It discriminates in favor of the beer and wine wholesalers in at least four ways. It grants them private monopoly status with almost no oversight and accountability. It allows them direct financial benefit from the statutorily allowed erosion in beer and wine excise taxes (now running at \$21

million annually). It discriminates against distilled spirits. It allows marketers and consumers of beer and wine to not pay their fair share of alcohol abuse costs by shifting beer and wine responsibility to distilled spirits and state and local government general funds.

SOLUTION - FOUR OPTIONS

There are at least four options that will have the effect of correcting the public policy weakness in the current law, to varying degrees of effectiveness, as follows:

1. Replace the beer and wine wholesaler private monopoly with the ISLD. ISLD would administrate the business but contract the physical warehousing and distribution of beer and wine to private business on a competitive bid basis with new ISLD profits used to pay substance abuse costs; or
2. Change beer and wine excise tax from being volume based to price based and require collection at the retail store along with sales taxes. Any additional cost to the retail merchants would be more than offset by eliminating the requirement for retailers to pay the wholesaler cash upon receipt for their purchases; or
3. Authorize ISLD to be a legal beer and wine wholesaler and direct it to compete in every way with the private wholesale beer and wine monopoly which would continue as is. ISLD could fill beer and wine orders from retail establishments as well as to state retail liquor and contract stores (distilled spirits would remain the exclusive domain of ISLD). The profits ISLD earned from the sale of beer and wine would be directed to pay the cost of substance abuse; or
4. A combination of #2 and #3 above, plus wholesaler accountability reporting.

Description of the expected consequences of each foregoing option:

Option 1. If the private wholesale monopoly was replaced with ISLD public monopoly, the following would likely occur:

- The beer and wine excise tax would be eliminated.
- The sales price for beer and wine would be cut. The state dispensary has lower costs and it must, under Idaho law, provide service not maximize profits.
- Product selection would increase. ISLD would stock a wider variety of beverages than is provided by current wholesale-distributors who are high profit, high volume oriented and/or are under exclusive contract with specific brewers or wineries.
- The retailer would only deal with one wholesaler, ISLD, and make orders from a single expanded list of products.

- *ISLD's broader product selection would cause greater competitive pressure on producers to hold down prices and its open pricing policy would eliminate excessive markups of wholesale prices to particularly smaller volume or rural retailers.*
- *The state would have better legal standing to prosecute out-of-state wine and beer merchants who now ship in state without paying any sales or excise taxes.*
- *All ancillary costs to retailers, e.g. the cleaning of dispensing equipment would be unbundled from the product's base price. This would allow retailers the option of buying those services from local small businesses, as some used to do.*
- *State and local governments would have an increased revenue stream to help pay for the criminal and treatment cost of alcohol abuse.*
- *There would be appropriate public control and accountability where monopolies exist. Privatization would be promoted where adequate competition is available and the public rights are protected. The resulting public debate would expose bogus alcohol "privatization" and "control" arguments and concerns, as follows:*
 - A. Expose when the term "privatization" is used as a euphemism to disguise special interest profits that are, in fact, taxpayer paid subsidies.*
 - B. Point out that government serves primarily at the pleasure of and represents the taxpayer, who is a private party paying the bills and whose private interests must be represented in every privatization debate.*
 - C. Confirm that privatization of government activities must provide equal or better service or product at less cost or it may be a taxpayer paid subsidy.*
 - D. Illustrate that those who profit from and use alcohol beverages have an obligation to pay, on an equitable basis between beverages, the criminal and treatment cost of alcohol abuse.*

Option 2. If the beer and wine excise tax were based on price collected at the retail level and the law requiring retailers to pay the wholesaler cash up-front was rescinded, the following would likely occur:

- *The amount of the excise tax would not be hidden from the consumer.*
- *Erosion of the excise tax base on beer and wine would stop.*
- *The current "tax" discrimination public policy favoring beer and wine over distilled spirits could end.*
- *Equity of "taxation" of alcohol beverages could be restored. The restored revenue coming from beer and wine products should be directed to pay the cost of substance abuse.*
- *Wholesaler accountability reporting - require the private beer and wine wholesale monopoly to publically report their alcohol beverage operations similar to that required of ISLD.*

Option 3. If ISLD were authorized to be a legal beer and wine wholesaler and allowed to directly and fully compete with the private wholesale beer and wine monopoly, the following would likely occur:

- It would take a big step toward leveling the competitive playing field in the Idaho wholesale beer and wine business.
- ISLD would take orders from and ship beer and wine directly to retail establishments as well as to state retail liquor and contract stores (distilled spirits over 14% alcohol content would remain the exclusive domain of ISLD).
- Private trucking companies and, depending on sales volume, private warehouses could competitively bid for ISLD business.
- ISLD is more cost efficient, particularly at the executive and owner compensation levels, than private wholesalers, accordingly it would offer products for less. Depending on retailer markup, this could benefit the consumer.
- Unless major brewers and wineries agreed to also sell their products to ISLD, ISLD would become the primary distributor of locally produced and lesser known brands. Albeit, market share desires would likely persuade certain of the big four major producers to also use ISLD. In either case, product selection to consumers would increase.
- It would reduce the monopoly control the private beer and wine wholesalers now enjoy.
- The profits ISLD earned from the sale of beer and wine could be directed to pay the cost of substance abuse incurred by state and local governments
- Wholesaler accountability reporting - require the private beer and wine wholesale monopoly publically report their alcohol beverage operations similar to that required of ISLD.

Option 4. A combination of 2 and 3 above

- Wholesaler accountability reporting - require the private beer and wine wholesale monopoly publically report their alcohol beverage operations similar to that required of ISLD.

Senator Bunderson

PRIVATIZATION

Problem

Periodically, the matter of privatization continues before the legislature with many incomplete or antidotal arguments offered.

SOLUTION

Analyze the consequences of such action. Assuming privatization means converting Idaho from a control state to a license state and essentially dissolving the Idaho State Liquor Dispensary. The following documents the effect further privatization of alcohol beverages would likely have in Idaho, based on today's laws.

- *Total privatization would either sharply cut public revenues or sharply increase consumer prices. This, because ISLD's cost of doing business is less than most private distributors and retailers. Also, since 100% of ISLD profits go to the public, there is no profit room for private business to match the amount of public revenues generated by ISLD and still make a profit without significantly raising consumer prices.*
ISLD sells only 4% of the total quantity of alcohol beverages sold in Idaho but generates 73% of the total alcohol revenues collected by the state.
Total privatization would wipe out ISLD's alcohol based revenue stream to state and local governments
- *If Idaho privatized distilled spirits, the distillers would likely choose one large national wholesalers. (Example: Two large wholesalers distribute most distilled spirits sold in California.) Thus, Idaho would just be trading a public Idaho monopoly (ISLD) that returns 100% of its profit to the public for an out-of-state monopoly that would only return a small fraction of its profit to Idaho.*
- *Studies show that further privatization would result in a significant increase in the per capita consumption of alcohol. Correspondingly, it would also result in criminal and other social costs of alcohol abuse to increase. This would increase state and local government costs with a reduced revenue stream to pay those costs.*
- *Total privatization would likely result in extending the volume based excise tax to distilled spirits that erode over time government revenue streams, as has happened with beer and wine excise taxes.*
- *Consumer selection would suffer. ISLD stocks about 1,500 items. It is*

required by law to provide service regardless of profit. Private business would tend to only offer the high volume, high profit and highly advertised products which they are under contract with producers to provide and push.

- Appropriate privatization of retail sales of distilled spirits is already happening. About 100 privately owned retail stores already sell packaged products and licensed private retailers sell all distilled spirits sold by the drink.*
- In order for the legislature to change Idaho from a control state to a license state, the constitutional intent passed in 1933 that established Idaho as an alcohol control state should require either a constitutional amendment or a general election advisory vote.*
- It could expose the state to losing lawsuits from holders of liquor licenses, if they are deemed to hold a property right and dissolution, if ISLD is held by the courts as causing the fair market value of their liquor license to decline.*



Hal Bunderson
Senator, District 14
Western Ada County

IDAHO STATE SENATE

State Capitol Building
P.O. Box 83720
Boise, Idaho 83720-0081

582 River Heights Drive
Meridian, Idaho 83642
(208) 888-7156

September 27, 2002

MEMORANDUM

TO: Attorney General, State of Idaho
Administrative Director, Idaho Supreme Court
Director, Idaho Department of Correction
Director, Idaho Department of Health and Welfare
Director, Idaho Department of Juvenile Corrections
Executive Director, Commission for Pardons and Parole
Director, Idaho State Police
Director, Idaho Transportation Department
Idaho Counties:
Sheriffs
Prosecuting Attorneys
Idaho Cities:
Chiefs of Police

FROM: Senator Hal Bunderson

The purpose of this letter is to request that you perform an evaluation and quantify the cost effects of alcohol abuse on the governmental entity for which you have responsibility or knowledge. In capturing this information, please use the most recent complete year (either fiscal or calendar) for which your organization has complete data.

If you do not have precise information available, or if you find that alcohol abuse may be coincident with abuse of other mind-altering substances, please use your educated judgment as to the cost of the alcohol problem in your jurisdiction. In those cases, written underlying assumptions should accompany such judgments.

The reason for my request is equity in taxation. State, county and city government general funds have been paying for the rapidly increasing cost of alcohol abuse for decades, while state law has frozen the beer and wine tax paid by distributors. Generally, most consumers don't even realize there are separate beer and wine taxes in Idaho. Beer taxes are 8.4 cents per six-pack and have not changed since 1961. Wine tax is set at 45 cents per gallon and has not changed since 1971. While beer and wine have gone up in price by an estimated 300% to 400% over the same period, tax collections for the same volume of beverage sold has remained flat.

Recent shortfalls in state revenues have made it clear there is a need for a thorough evaluation and prioritization of each budgeted cost element and the revenue source through annual performance plans and accountability reporting as required by Idaho Code §67-1903. In the case of statewide costs of alcohol abuse, there has been no analysis of the total fiscal impact alcohol abuse has on the budgets of state, county and city governments and private business compared to the tax revenue produced by the sale of alcoholic beverages.

In addition to any data you may have on the costs of alcohol abuse in your jurisdiction, this is an opportunity to share your concerns on the day-to-day impacts that alcohol abuse has on your community. Your input is critical for a thorough analysis of the shortcomings in current service deliveries. Please discuss what services may be necessary to appropriately deal with public drunkenness, DUI, spousal and child abuse, assault, robbery, underage drinking, and alcohol-related behaviors associated with domestic violence, sex crimes, child neglect and abuse, truancy, teenage pregnancy, fetal alcohol syndrome, and any other physical, mental, or developmental consequences of alcohol consumption.

With additional resources, state and local governments could improve public safety and return persons back to their families and into contributing members of society if together we can:

- Better identify, evaluate, and get help for persons who are addicted and/or abuse alcohol to the detriment of public safety.*
- Build accountability systems to ensure that identified individuals are held accountable to get treatment and accept punishment through the criminal justice system when appropriate.*
- Reduce inmate population growth in jails and state prisons by diverting nonviolent addicted offenders to community-based programs when the effects of alcohol abuse are shown to be a primarily cause of criminal behavior.*
- Deliver cost-effective detoxification and substance abuse treatment for persons identified by law enforcement, the courts, corrections officials, private medical providers, and social service and public health agencies.*

If you have questions concerning this effort to collect information, please contact me at my home address and telephone number printed on page 1 of this memorandum. I appreciate your attention to this important matter.

You may also contact Cathy Holland-Smith at Legislative Services Office, 334-3531 if you need assistance. Please mail your response to:

Legislative Services Office
Budget & Policy Analysis
Attn: Cathy Holland-Smith
PO Box 83720
Boise, ID 83720-0054